Dr. A. R. Menon.—Leave to introduce may be given, even when a Bill goes against rules. It may be objected to at the second or third stage.

The motion for leave to introduce the Banker's Books Evidence Bill was put to votes and carried.

Mr. A. Eachara Menon's Bill to amend the Nayar Regulation.

Mr. A. Eachara Menon.—Sir, I beg to move for leave to introduce a Bill to amend the Cochin Nayar Regulation.

Mr. N. Padmanabha Menon.—Sir, I beg to second it.

The motion for leave to introduce the Bill to amend Cochin Nayar Regulation was put to votes and carried.

RESOLUTIONS ON MATTERS OF GENERAL PUBLIC INTEREST.

The Establishment of a State Bank.

President.—We will now continue the discussion on the resolution moved by Srimati Madhavi Amma. Of course, we have carried on the discussion for a long time, and we have come near the close of the discussion. In order to explain matters more fully and correctly, I would like to say that what is stated as a State Bank is unknown to us, and I may, therefore, ask Srimati T. Madhavi Amma to make it "State-aided Bank". Otherwise, the resolution as it is will have to be put to the vote of the House. Afterwards, on a reference made to Srimati Madhavi Amma, the point was made clear, and she stated that she was not referring to a Bank that should be run by the State as any other departmental business conducted by the State. She wants a Bank which should be aided by the State, by contributions from the Darbar funds for carrying out the business of the Bank. If that be the resolution that is insisted on, then a portion of the amendment becomes unnecessary. There is also an amendment standing in the name of Mr. Ramachandra Ayyar. He wants an amendment as follows:—"Or State-aided Bank or at least give financial aid to the sound banks registered in Cochin and conducted by Cochinites, taking sufficient sageguards and guarantees for proper use of public money entrusted to them". So the expression "State-aided Bank" is a repetition in the amendment. The amendment, when properly put, will stand thus:—"giving financial aid to the sound banks registered in Cochin and conducted by Cochinites". I think the resolution and amendment can be understood only in this manner. Unless Srimati Madhavi Amma and Mr. Ramachandra Ayyar would agree with my views, I cannot carry on further discussion. If you have any objection to this view, I would like to hear you.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. O. R. Chummar.—Sir, when, yesterday, I referred to the State Banks in America, some of the Hon'ble Members contradicted my statement. I was surprised when I was contradicted. I, therefore, referred to some books, and I find that there are some such banks in America.

Mr. T. K. Krishna Menon.—Such banks are in South America, and not in the United States.

Mr. O. R. Chummar.—There are two or three kinds of State Banks. In some of them the whole capital is subscribed by the Government, and the management is vested entirely in the hands of the Government, private individuals having nothing to do with them except as customers. That is one class. There is another class of banks in which the capital is subscribed partly by private individuals and partly by the Government. The management is vested in a Board of Directors on which the Government also have their representatives. In the case of some other banks the capital is subscribed partly by the Government and partly by private individuals, and the management is vested in the Government. There are banks of this kind in Georgia and Florida, Ohio and Indiana. I can mention some more, if necessary. However, I may remark that, as a rule, these State Banks do not thrive very much.

President.—What is the source of your information? Can you quote any authority?

Mr. O. R. Chummar.—Please refer to Seligman.

President.—Were these Government Banks, and were State officers appointed to carry on the business connected with them?

Mr. O. R. Chummar.—As I have already remarked, there is one class of State Banks in which the whole capital is subscribed by the Government, and the management is carried on by Government servants. Private individuals have nothing to do with it except as customers. Seligman even calls them Government banks.

President.—Please furnish authority for your statement.

Mr. O. R. Chummar.—I quote as my authority "*Principles of Economics*" by Mr. Seligman.

President.—Mr. V. K. Aravindaksha Menon has spent some time in America. He stated that there are only National Banks there.

Mr. V. K. Aravindaksha Menon.—Can you furnish me with the date of the book?

Mr. O. R. Chummar.—I do not remember. The National Bank referred to is different, and I may say that the Federal Government have done away with the State Banks altogether.

LIBRARY ARCHIVES Kerala Legislative Assembly

President.—So do you mean that these State Banks there have now collapsed or that they are not well conducted?

Mr. O. R. Chummar.—Out of them, two or three were thriving. The rest of them failed, due to mismanagement. The State Banks are not encouraged. Writers discourage it.

President.—Do you know in whose time the State Banks existed in America?

Mr. V. K. Aravindaksha Menon.—I do not know exactly, when the Federal Government had a State Bank.

President.—Mr. Chummar says that there were two or three kinds of State Banks in America. Whatever that may be, he made reference to the State Banks in America, and there is no reason to say that such banks did not exist there.

Mr. O. R. Chummar.—There is also one in Sweden.

President.—I was able to get the statement from Srimati Madhavi Amma that she is aiming at a State-aided Bank. What the mover was referring to was explained, and from the reference it is known that she means purely a State-aided Bank. So the resolution must be understood in that sense. It is time for us to put the resolution to the vote. If that be so, Mr. Ramachandra Ayyar's expression in the resolution "State-aided Bank" may be omitted, and the other part may stand. I want to present the resolution in that form.

Srimati T. Madhavi Amma.—By the expression "State Bank" in my resolution, I have asked not for a State Bank but for a State-aided Bank. The difference between the two is this. In the case of a State Bank, the Government has more powers over its control. But in a State-aided Bank the powers are limited.

President.—What sort of control? Even in State Banks the initiative comes from rich persons. The State undertakes the initiative, starts a bank, and then calls the public to bring in their deposits or give money on loans to people who want them for purposes of their own. The initiative must be taken by the State. That is the difficulty. The question is whether such a Bank was ever in existence.

Mr. A. B. Salem.—Mr. Chummar said that banks of the kind exist in America

President.—What Srimati Madhavi Amma meant is that it will be a State Bank, if the Government has particular control over it.

Srimati T. Madhavi Amma.—I shall explain my point. I may also point out that there is a slight difference in the State Banks of England and that of India. The Banks of England

LIBRARY ARCHIVES Kerala Legislative Assembly

and France are managed by a separate department, viz., by Government officers. Here in India the State Banks are managed by Directors appointed by the Bank.

President.— Are you sure about the management of the Bank of England?

Srimati T. Madhavi Amma.—Yes, Sir.

President.—My information is that it is not a Government concern.

Mr. O. R. Chummar.—Sir, it is a private bank, the Government having special control over it.

Mr. C. A. Ouseph.—I think it is a private body. The Government only lends them money.

Mr. O. R. Chummar.—In the case of the Bank of England, the Government do not advance any money. On the other hand, the Bank advances money to the Government, and in return certain rights and privileges are conferred upon the Bank.

President.—If the Government has got any surplus, they deposit it in the Bank.

Srimati T. Madhavi Amma.—The Government has given the Bank power to issue notes, etc.

President.—Sometimes the Government has to depend on these Banks, when necessities arise in the matter of raising loans, etc., as the loans cannot be easily raised. It cannot be said, therefore, that Banks are in a sense dependent on the Government. So to start a bank you do not want the support of the Government. The Revenue Member has explained the real sense of what a State Bank is, i. e., like the various departments there should be a Banking Department.

Srimati T. Madhavi Amma.—I request the Government to take over the management of the bank.

President.—Do you mean the management of a private bank? I say that the bank must come into existence before the management is assumed by the Government. Otherwise, the Government has to start a bank, manage it and carry on the usual business. This is what you call management proper in connection with the bank. I want to have a clear idea. If you are very particular to have the expression "State Bank," I want you to consider whether you would not be inclined to change it. Do you want the expression "State Bank" to be retained in your resolution?

Mr. A. Sankara Puduval.—The object of the mover can be very well achieved, if the expression "State-aided Bank" is substituted.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. T. A. Ramachandra Ayyar.—The mover has admitted that the bank required is on the lines of the Banks of Baroda and Mysore.

President.—Then, we can have a bank on the same lines here also.

Srimati T. Madhavi Amma.—What I want is a bank just like the Banks of Mysore and Baroda. They are State-aided Banks.

Dr. A. R. Menon.—Is there a bank anywhere in the world where the Government manages it?

Diwan Bahadur Dr. V. Verghese.—If I am allowed, I shall enlighten the House as to the steps taken in Travancore for the establishment of a State-aided Bank.

President.—Please just wait, as I want to know whether the mover will agree to the use of the word "State-aided Banks" in her resolution.

Srimati T. Madhavi Amma.—I have no objection to use the word "State-aided Bank", so long as the Government aids a bank of the type I have already referred to and the Government have a strong hold over its control. I have no objection also to give it any name or title which the Government may fix.

President.—The Government has nothing to do here. The matter is to be considered by the Council. The Government cannot give the title. If you are willing to change, you may do it. Otherwise, let it stand as it is. You have made your point clear. The banks instituted in Travancore, Mysore and Baroda are State-aided Banks and not State Banks. Have you got anything to say with regard to your amendment, Mr. Ramachandra Ayyar?

Mr. T. A. Ramachandra Ayyar.—I have no objection to change it as "State-aided Bank".

President.—So let the resolution and amendment stand as "State-aided Bank". Let us carry on the discussion. Certain questions were addressed to the Comptroller yesterday by Mr. Salem as to what amount has been invested by the Government in the Trichur Bank. Do you want to know the money invested?

Mr. A. B. Salem.—I understand that about Rs. 50,000 is invested there.

President.—I may tell you that the primary consideration of the Government is the safety of the Government funds invested in these banks. It is only a secondary consideration that such and such banks are patronised, and it will not be pro-

LIBRARY ARCHIVES Kerala Legislative Assembly

per on the part of the Government to disclose the merits and demerits of particular banks and to state reasons why they did not invest any money in a particular bank or have invested a large amount. So you will please withdraw it, and say that you will not press the Government for information on those points. I want to have some discussion. Why not the Finance Member take some part in it?

Mr. A. B. Salem.—The Trichur Bank is not the only bank that has applied to our Government for deposit. I am informed that several banks having a large reserve fund like the Chittur Bank have also applied to the Government asking for deposits, which the Government has refused. I can very well understand the reason why the Government denied to disclose the real facts concerning the refusal. That may be a reflection upon the bank, whose business credit in the market is likely to be shaken. There may be also so many other reasons. So I do not want to ask such questions. Let me try to make you understand that the reasons for a private bank in Cochin in approaching for a Government deposit would be for inspiring the confidence for the people to deposit their money there. This would be a sort of encouragement for the private banks. If the people by some devices get the information that a private bank applied to the Government for deposit, and the Government declined, surely it will affect the credit of the bank. On the other hand, if a deposit is given by the Government, the bank will get a standing in the place, and inspire the confidence of the country. That is the aspect of the question. The advantages of a bank are innumerable. The encouragement to trade is one of the many facilities afforded by banks in a country. After all, the Government may lose a few rupees. I can say that the primary consideration of the Government in investing deposits is the safety of the funds invested. It is also incumbent on the Government to encourage their subjects in this business. Even if the Government would lose a few rupees, I say the risk is worth having. I hope the Government will consider this aspect of the question also, whenever applications are sent to them.

President.—Now, is the time for Dr. Verghese to enlighten us.

Diwan Bahadur Dr. V. Verghese.—In Travancore, the State-aided Bank has come into existence. Now, a branch has been opened in Alleppey. This is the result of considerable agitation and representation in the Popular Assembly and in the Legislative Council of Travancore. After mature considerations and deliberations, in one of his speeches the Diwan Mr. Ragha-

LIBRARY ARCHIVES Kerala Legislative Assembly

viah gave utterance to the following announcement which exactly explained the position of the Government with regard to the formation of the Bank.

"The question of increasing banking facilities in Travancore as an essential step for the promotion of trade and industries in the country has engaged the attention of the Government. The Government are aware that private enterprise has not been inactive in the matter of creating such facilities; but it is the duty of the State to stabilise this enterprise by the exercise of close and effective supervision. There is a vague expectation that the State should help every private banking concern with funds. It will afford the Government no small pleasure to encourage a really good banking concern with a deposit; but it is idle to expect the State to risk public money in investments with banks of dobtful solvency. It is also open to doubt whether the limited encouragement the Government could afford in the direction could adequately meet the growing needs of commerce for money. A far better way of accomplishing this object would be to help the creation, if possible, of a State-aided Bank of sufficient magnitude under satisfactory guarantees." This I would plead to be the position of the Government with regard to the State-aided Bank to be instituted here. In accordance with this pronouncement, the Travancore Government issued a Government order appointing a number of provisional Directors, and directed them to start a Bank, and promised that the Government would give the following concessions:—

(a) The Government will deposit in the Bank, without interest, and for a period of 5 years, a sum equal to 50 per cent of the paid-up capital of the Bank, subject to a maximum limit of 2 lakhs and 50 thousand rupees.

(b) The Government will also deposit in the Bank another equal amount, that is, 50 per cent of the paid-up-capital, subject again to a maximum limit of 2 lakhs and 50 thousand rupees carrying simple interest at the rate of 4 per cent per annum and for a period of 5 years, interest being payable half-yearly.

Both the above deposits will be made subject to the proviso that the Bank maintains at all times within the State unencumbered assets equal to the aggregate amount of the said Government deposits.

(c) The Government will pay half the working expenses of the Bank for the first 5 years, and this contribution is not to exceed Rs. 10,000 per annum, unless the written sanction of the Government has been obtained to increase the working expenses to more than Rs. 20,000 per annum.

LIBRARY ARCHIVES Kerala Legislative Assembly

(d) The Bank may, at the discretion of the Government, be given at District head-quarters and other approved places such treasury work as may be decided upon by the Government from time to time.

(e) The Bank may, at the discretion of the Government, and under a special agreement, be allowed (1) to act as their bankers at such time, to such extent, and in such manner, as may be determined by them from time to time, and to pay, receive, collect and remit money, bullion and securities in such manner as may be laid down by them, and (2) to undertake and transact any other business which the Government may, from time to time, entrust to it; provided that every such agreement shall provide that the Government shall have power to issue instructions to the Bank in respect of any matter, which, in their opinion, vitally affects the financial policy or the safety of the Government balances and debt, and in the event of the Bank disregarding such instructions, the Government may declare such agreement to be terminated.

(f) The Government will supply treasury guards and escort for remittances within the State between places not connected by railway, free for a period of 5 years, and thereafter, on payment of such charges as may be agreed upon between the Government and the Bank. But the Government shall not be held responsible for the losses by theft, negligence, etc.

(g) The Government will permit municipalities and other local bodies on their application to deposit their surplus balances with the Bank, wherever it has branches.

The provisional Directors of the Bank drafted a Memorandum of Association, and had the Bank registered. The Bank Directors got the sanction of the Government for each of the steps taken by them, and they asked the Government for a loan of Rs. 15,000 for the working expenses, which the Government gave readily on condition that it would be paid back, when the Bank is in order. It was with this money that the work was actually started, and subsequently they sent out a prospectus calling for shares. Rs. 40,000 worth of shares were offered for the public for sale at the rate of Rs. 25 per share. About 26,000 shares have been sold in this manner.

And now the Director appointed by the Government will proceed to work the Bank for six months after the Bank is registered, and then the share-holders will meet and elect their Directors, but the Government will have always a voice in the management of the Bank. There will be a Manager of the Bank not a Managing Director.

Mr. C. Achyuta Menon.—He must be a *Bank expert.*

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. I. E. Ambooken.—May I know whether there is a Co-operative Central Bank in Travancore ?

Diwan Bahadur Dr. V. Verghese.—Just as we have here in the Cochin State they have a Co-operative Bank. Travancore is filled with private banks. They have any number of banks.

Mr. I. E. Ambooken.—Does the Travancore Government invest money in private banks ?

President.—The Government is just as any other private body as regards the investment of money. They will consider its stability and soundness of its management and, if they are satisfied, they will probably deposit their money in it.

Mr. A. B. Salem.—Cannot the Government impose certtain conditions, when an application comes—that a bank should be so and so, and that upon these conditions it can lend money ? Why should we be running in a circle and say how can we be expected to inspire confidence in you, before we have confidence in us ? That will be running in a circle.

President.—Why should you go and ask for loans from the Government ? Without loans, you can carry on business.

Mr. A. B. Salem.—That is possible only in self-governing countries. Let us take the case of the Bank of England. It is in a country which governs itself. It is the people's bank. People govern it. It lends money to the Government. Whenever the Government want money, they go to the bank and ask them "Will you raise a loan from America or anywhere else ?" Here that is not the case. We have to look to the Government for encouragement for everything. There you have hundreds of hospitals Bartholomew Hospital, this hospital, that hospital and a number of other hospitals can be quoted. But here in this country all the good hospitals are Government hospitals. Here everything is the other way. That is the difficulty. If it is a people's Government, and if a particular minister from a particular party has a bank in its power, he will say that the Government should help that bank as much as possible. In this way the country prospers. But here that is not the case. Here we have a stable, fixed, irremovable Government, and we cannot influence it. It can only influence us. These are the facts to be considered.

Mr. T. K. Krishna Menon.—Sir, I think, so far as the phraseology of the proposition goes, a State Bank and a State-aided Bank are practically convertible terms.

Mr. C. A. Ouseph.—They are not.

Mr. T. K. Krishna Menon.—I speak from authority, Sir.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. C. A. Ouseph.—I too.

President.—Do not interrupt, please.

Mr. T. K. Krishna Menon.—The Member for Chalakkudi may refer to Professor Gede's book, a work on Political Economy that is generally taught in schools. Professors Smart and Archibald have rendered it into English. That is the book I mean. The Member may refer to pages 429 and 430 of its fourth edition where it is thus stated:

"To know whether a bank is to be called a state bank or a private bank the criterion is to ask where the funds come from. If the whole money or even a part of the money belongs to the State, it is considered a State Bank."

Mr. S. F. Nunez.—On a point of information, Sir. May I know which is the authority about which the Hon'ble Member for Chalakkudi spoke?

Mr. C. A. Ouseph.—Mr. Seligman.

Mr. S. F. Nunez.—Mr. Seligman has written several books on Economics. May I know the particular book?

Mr. C. A. Ouseph.—Any book written by him on Economics.

Mr. S. F. Nunez.—Have you got the book here?

Mr. K. T. Mathew.—Authorities differ.

Mr. T. K. Krishna Menon.—Not on such a simple point as this, though I do not come here as an infallible guide on Political Economy. Anyhow, you may take my words for what they are worth. I again submit that to know whether a bank is to be called a State Bank or a Private Bank, we must see to whom its capital belongs. Such State Banks exist in Sweden and Switzerland and, until recently, they existed in Russia; there are several in the Southern States of America. Then, with regard to the Bank of France and that of Germany, they are all joint-stock companies. There is this difference: that, before the Government begin to patronise the institution, they make it a condition precedent that the Government should appoint its governing body, that is, generally, the Governor as well as the Deputy Governor. In the Banks of France and Germany, they are appointed by the Government. So far as Germany is concerned, the control is stricter; all the Directors even are appointed by the Government.

Now, with regard to the Bank of England—they have two departments, the Banking Department as well as the Issue Department. With regard to the Issue Department, the management of the British National Debt has been confided to the Bank of England from its foundation, and the issue of notes is

LIBRARY ARCHIVES Kerala Legislative Assembly

also one of the powers given to that Bank by the British Government.

Coming to the Bank of Japan—I refer to this, because it is prominently put forth here—the Government guaranteed 5 per cent dividends for 5 years after its establishment. The business of the Bank is under the direct control of the Government, and it can have a specific number of shares too. Its bye-laws have to be passed by the Government as in the case of the Provincial and the Imperial Banks of India. Here also in the Imperial Bank you will find that the Managing Governors, not exceeding two in number, are appointed by the Governor-General in Council on the recommendation of the Central Board; and, then, even with regard to the location of branches, it must have the consent of the Governor-General in Council. That is how it stands.

I have just run through the Banks of England and other places. Now, coming nearer home, we find there is a bank in Baroda, one in Mysore and one recently started in Travancore, conducted under the Government auspices. With regard to the Travancore Bank, a sentence in the speech of the late Diwan is perhaps relevant; this is what he says :—

"A far better way of accomplishing this object is to help the creation, if possible, of a State-aided Bank of sufficient magnitude under satisfactory guarantees, and it is with a view to come to a decision in this matter that orders have been recently issued deputing one of the Assistant Account Officers of the State to Baroda and Mysore to acquaint himself with the working of similar banks in these States and submit his recommendations." So that even the Travancore Government, though it had its own competent advisors, thought it advisable to send a particular officer to Baroda as well as to Mysore to study the conditions under which those banks were working. (*Hear, hear.*) What we read in books is one thing, what we see in practice is at times quite a different thing. Some said yesterday that deputing officers to Gwalior and Mysore was not necessary. It was absolutely necessary. I was very much pained, and I thought to myself, "Was I also a great sinner in drafting our Report", when the Member for Trippunittura was hurling his anathemas on the recommendations of the Cochin Banking Committee. "Ten years for everything," "ten lakhs for working capital, help for peons, for *thotties* for the Bank"—in that strain he went on. But he never cared to know or to refer to the corresponding advantages to our State. They are set forth in para 37 of the Report:—

"Firstly, they use for productive purposes of the subjects the idle balances of treasuries. Secondly, they take up the

LIBRARY ARCHIVES Kerala Legislative Assembly

work of the treasuries, and work them more economically with the minimum of cost to the State. Thirdly, their co-operation is of immense value to the Government on occasions of issuing State Loans. This aspect of the question is well illustrated by the co-operation of the Bank of Mysore in raising the Mysore State Loan of 1920. Fourthly, the system of payment by cheques introduced and popularised by banks considerably relieves the Government treasuries of a considerable extent of cash transactions, even if treasury management is not actually transferred to them. Fifthly, State-aid enables the Bank to thrive and incidentally build up in a short period a progressive stamp revenue to the State by stimulating monetary transactions and by popularising the use of cheques and bills of exchange without affecting the existing sources of revenue. Sixthly, the Bank would be a very desirable agent of the Government in conducting their transactions both within and outside the State."

The Government is not likely to be a loser by giving a part of the expenses to the State Bank. In Travancore you will find something like Rs. 10,000 is given. The Government there will pay half the working expenses of the Bank for the first five years, and the contribution is not to exceed British Rs. 10,000 per annum. We have asked for more, and that we have done for proper reasons. It is only when we ask for ten lakhs that we perhaps get 5 lakhs. That is the only reason.

Mr. George Chakyamuri.—On a point of information. Are we to take it that, when we ask for anything, you will have to cut down half of it?

Mr. T. K. Krishna Menon.—The proper Government Member will answer that poser.

Mr. George Chakyamuri.—Is it in this way that the Reports have been submitted?

Mr. T. K. Krishna Menon.—Then another difficulty was pointed out. It is that, in our Report, no particular attention is paid to the development of agriculture and to the industrial development, and that the Report speaks only of a Commercial Bank. That also is not correct. For section 3 refers to agriculture, section 4 to industries. After dealing with those subjects, the Report proceeds to say that, "in these, circumstances, the Committee would consider that, even for the development of industries and agriculture, the establishment of a Commercial Bank is the only practical solution." Thus it has not omitted to consider every aspect of the case. In this connection, I may also bring to the notice of this House that an officer was deputed by this Government to conduct an Economic Survey of the State. He has in his Report these remarks :—"The recom-

LIBRARY ARCHIVES Kerala Legislative Assembly

mendations of the (Banking) Committee have not been published; but whatever they may be, if any undertaking of the sort should be successful, State Banks or State-aided Banks should be organised on a large scale. Every cultivator, craftsman and trader, however humble his position may be, must have banking facilities within easy reach, so that he may borrow at a nominal interest and at the same time invest his very small savings in a village bank."

It has been brought to the notice of this House that here are any number of banks, and that Government can invest their money in these banks. Personally, I will protest against any such procedure. The Government cannot invest money in a bank over the management of which it has no control. Will the people have any confidence to invest their money in such banks? Certainly not. It is for that reason that we say that it should be a State Bank. You may call it a State Bank or a State-aided Bank. If it is started, certainly every man, whether rich or poor, will have confidence in investing whatever he has got in that bank. But if it is a bank purely conducted by private individuals with Articles of Association made by them, and over the management of which Government have no control, I do not think that people will have the same amount of confidence in them, which they will have in a State Bank. It is for that reason that I urge that the Government should start a State-aided Bank on a large basis. The people will only be too glad to take shares and also to give fixed deposits and current deposits, and with these the Bank will be able to finance other undertakings. How much does the Government gain by having the Devaswam Department at its disposal? How much more will the Government be benefited if the people's money is deposited in a State Bank? It is all very well to say: "Let people join together and start a bank, if they have backbone?" Backbone cannot in itself start a bank. The existence of backbone is one thing, and presence of capital is another thing. Can the Member for Trippunittura name a few capitalists who would be in a position to finance an undertaking like that? It is not possible. We will have to go in for one rupee shares. That is no banking on a large scale. It would not be worth while to the Government to deposit its money in that bank. But the benefit which the Government can derive from a State Bank will be much, and it can be utilized for industrial and commercial purposes.

Mr. A. B. Salem.—Will that share the fate of the Tanneries?

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. T. K. Krishna Menon.—I dot not think that the Government had their control over the Tanneries and, as for the fate of the Tanneries, I am sorry to say I do not know anything about it, because I was not in the Directorate. I know only that I have paid some money for that concern, and I consider it as a dead capital. That is all. So, for the reasons I have stated, I also would echo the sentiments of the Hon'ble the Revenue Member. The only difference between him and me is this: He would, perhaps, say in his diplomatic way: "Under the circumstances—if you all come, after starting a bank, we shall be delighted to do what we can—if then, we can assist you without much strain, so on and so on." But what I say is that we must do as the Travancore Government have done. If the Government is prepared to start a bank, it can be started tomorrow. There is no use of saying "No, no. You must do as the Member for Trippunittura has suggested; all of you join together, collect shares, start a bank, convince the Government of its good management, and then approach the Government for help. Then, we shall see what we can do for you." I am sure, then, the Government will say "on account of the Harbour Works and other industrial departments of the State, we are unable to advance any money at present." What is the use of all the trouble then? A bank cannot be started on permissive possibilities and pious hopes.

President.—You have not properly understood the Hon'ble Member for Trippunittura. He does not want to go to the Government for the help at all.

Mr. T. K. Krishna Menon.—So much the worse then.

Mr. C. A. Ouseph.—None can question the necessity of a proper banking agency in the State. But the starting of a bank whether it be a State Bank or a State-aided bank, depends upon the resources of the State, and the field is open for the bank itself. Cochin being a very small State, I do not think that the bank will be able to open many branches, and if it is not to have very wide operations, it may not, after all, be a very profitable concern.

Then, Sir, we have our own fears due to the shadows of the Tanneries and the Potteries. They were either State or State-aided concerns, and the results of the working of the Potteries and the Tanneries are well known to us.

Banks exist not only for receiving deposits. Their prime purpose is to supply people's industries with money, with or without interest. Their prime purpose is the supply of capital to industrialists and traders.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. A. B. Salem.—That depends upon the object of the bank.

Mr. C. A. Ouseph.—Exactly. But with a very small bank, with one or two branches, this cannot be accomplished. Further, the Government Member referred to the fact that much Government expense with regard to the treasuries can be cut down. I have my own doubts about it. It is for the Comptroller of Accounts to explain. In British India much expense in not cut down by having the Imperial Bank. In British India they are not able to do much treasury work through the Imperial Bank. Subject to these remarks made by me, I support the motion for the establishment of a State-aided Bank.

Mr. A. Sankara Puduval.—I would like to add a few words in support of the resolution. There seems toe some confusion as to the object meant to be achieved by this resolution. Now, the general impression that the establishment of a State-aided Bank would spell the ruin of other banks already in existence in the State is absolutely unfounded. But, on the other hand, private banks that are thriving well, will, not in the least suffer. The existence of a State-aided Bank will, on the other hand, promote healthy rivalry beneficial to the people at large. I don't care to quarrel with the denomination as to whether the bank should be a State Bank or a State-aided Bank. In the light of the explanation offered by the Secretary to the Council, it is perfectly immaterial whether the bank is called a State Bank or a State-aided Bank, so long as the control of the Directorate is in Government hands, so long as it is subject to Government supervision. To my thinking, a State Bank manned entirely by officials of the State is not feasible. And I am not very sure whether the Lady Member was correct in saying that the State Bank in the United States in manned by Government officers. There is no magic in words. Now, so far as the development of agriculture and the smaller industries is concerned, the existence of a State Bank would certainly be very useful. The recommendations of the Committee have not been carried into effect, because many of the suggestions were found to be not easy of realisation under the then existing conditions. I am inclined to think that a bank with lesser restrictions and with a smaller demand of help from the Government (something corresponding to the contribution which the Travancore Government is going to make) is what is proposed to be started. The Central Bank with branches in many parts of the State would be very serviceable in advancing loans to industrial and commercial concerns. The money that has been invested in Mysore and foreign banks, and money that would be available

LIBRARY ARCHIVES Kerala Legislative Assembly

from the Devaswams under Government management, would be more than enough to meet the requirements of the proposed bank for Cochin and its people. I do not agree with the Hon'ble Member for Chalakkudi that in a State like Cochin a State-aided Bank will be a superfluity.

Mr. C. A. Ouseph.—I did not say that.

Mr. A. Sankara Puduval.—In regard to a State or a State-aided Bank, profit to the Government is no concern at all. The main point in regard to all these matters where the Government makes an advance to help a concern, is to be assured that the principal amount would not be lost. Profit or interest is not the main consideration. For example, if a railway is to be opened, the main consideration would be whether the capital would be returnable in 20 years. If so, it is supposed to be a good investment. This is the universal rule, so far as I have been able to see. The apprehension held out by the Hon'ble Member for Chalakkudi that we shall not be able to open many branches in the State need not in any way deter us from starting a bank. On the other hand, if the State-aided Bank would be able to lend money at a cheaper rate of interest to existing banks, co-operative agencies, or private persons, this would have a levelling tendency in keeping down the rate of interest on loans generally, and thus indirectly benefit people at large.

These five lakhs ought to be, at any rate, at the disposal of the State, because we have only to get our investments from Mysore as early as possible, and if necessary, to rely upon the resources of some of our incorporated Devaswams so that, if the Government is assured that a State-aided Bank would largely contribute to the amelioration of the existing condition of things in Cochin, I very strongly urge that the Government of His Highness the Maharaja, who himself is a keen financier, would be only very glad to fall in with the scheme and view of the Hon'ble Members of this House. I would request the Government would be pleased to accept this resolution, at least, in the sense in which it has been expounded as a State-aided Bank.

മിസ്റ്റർ കപ്ലിങ്ങാട്ട് ശങ്കരൻ നമ്പൂതിരി.—ഈ പ്രമേയത്തോട് ഞാൻ പൂർണ്ണമായി യോജിക്കുന്നു. കൊച്ചിരാജ്യത്തു് ഇപ്പോൾ അനവധി ചെറിയ ബാങ്കുകൾ ഉണ്ട്. അവയ്ക്കാവട്ടെ, ഈ നാട്ടുകാർക്കാവട്ടെ ശരിയായ സഹായം ലഭിക്കാത്തതിനാൽ ഇമ്പീരിയൽ ബാങ്ക്, നെട്ടങ്ങാടി ബാങ്ക് മുതലായ വിദേശീയ ബാങ്കുകളെ ആശ്രയിക്കേണ്ടതായിട്ടാണിരിക്കുന്നതു്. ഈ പ്രമേയത്തിൽ പറയുന്നപ്രകാരം ഒരു സ്റ്റേറ്റ് എയിഡഡ് ബാങ്ക് ഇവിടെ സ്ഥാപിക്കുന്നതായാൽ ഇവിടേയുള്ള ഈ ബാങ്കുകൾക്കും മഹാ

LIBRARY ARCHIVES Kerala Legislative Assembly

രാജാവുതിരുമനസ്സിലെ പ്രജകൾക്കും വളരെ സഹായമായിത്തീരും അങ്ങനെചെയ്താൽ മറ്റു ബാങ്കുകളുടെ പുഷ്ടിക്കും നാട്ടുകാരുടെ അഭിവൃദ്ധിക്കും അതൊരു മാറ്റുമായിരിക്കും.

സ്റ്റേയിറ്റ് എയിഡഡ് ബാങ്ക് സ്ഥാപിക്കാതെ മേലാൽ ഗവൎമ്മേണ്ടിൽ നിന്നും നേരിട്ട് ഈ ചെറിയ ബാങ്കുകളെ സഹായിക്കാമെന്നവെച്ചാലും എളുപത്തിൽ സാദ്ധ്യമാകയില്ല. അതിനാൽ വളരെ ബുദ്ധിമുട്ടുകൾ വന്നുചേരും. ചെറിയ ബാങ്കുകാരുടെ ഉറപ്പും, മറ്റും പരിശോധിച്ചു വാങ്ങുന്നതിന് ഗവൎമ്മേണ്ടിന് വലിയ ബുദ്ധിമുട്ടും, ചുമതലയും, ബാങ്കുകാൎക്ക് പണം കിട്ടുവാൻ കാലതാമസവും ഉണ്ടാകാനിടയുണ്ട്. പ്രമേയത്തിൽ പറയുന്ന പുതിയ ബാങ്ക് സ്ഥാപിച്ചുകഴിഞ്ഞാൽ ഗവൎമ്മേണ്ടിന്, ആ ബാങ്കുവഴി ഈ ചെറിയ ബാങ്കുകൾക്ക് സാരമായ ഋണം ചെയ്യാൻ സാധിക്കും. ഗവൎമ്മേണ്ടിന് ബുദ്ധിമുട്ടും വലിയ ചുമതലയും ഉണ്ടാകയുമില്ല.

പ്രസിഡെണ്ട്.—സ്റ്റേറ്റ് എയിഡഡ് ബാങ്ക് ഉണ്ടായിരുന്നാലും ഉറപ്പു കൊടുക്കണം. അപ്പോഴും അതു പരിശോധിച്ചുവാങ്ങുന്നതു് ബുദ്ധിമുട്ടും ചുമതലയും അല്ലേ?

കപിങ്ങാട്ട് ശങ്കരൻ നമ്പൂതിരി.—പണം കടം കൊടുക്കുകയും വാങ്ങുകയും ചെയ്യുന്നതു് ഒരു ബാങ്കിന്റെ സാധാരണ ചുമതല ആകയാൽ അതിന് പ്രത്യേകം ബുദ്ധിമുട്ടൊന്നും വരികയില്ല. ഈ ചെറിയ ബാങ്കുകൾക്ക് ഓവർഡ്രാഫ്റ്റായും കാഷ് ക്രഡിറ്റായും, മറ്റും പണം കൊടുത്തു സഹായിക്കാൻ ആ ബാങ്കിന് കഴിയുകയും ചെയ്യും. വലിയ ബാങ്കുകൾ സാധാരണയായി അങ്ങനെ ചെയ്തുവരുന്നുമുണ്ട്. ഗവൎമ്മേണ്ടു പണം ചുരുങ്ങിയ പലിശക്കു് ലഭിക്കുന്ന ഇമ്പീരിയൽ ബാങ്ക്, മുതലായവയിൽനിന്നും അധികപലിശക്കു് പണം കടംവാങ്ങി, അതിൽ കുറഞ്ഞതലായ പലിശക്കു് നാട്ടുകാൎക്ക് കൊടുത്തു ലാഭം ഉണ്ടാക്കുകയാണു് ഇപ്പോൾ ചെറിയ ബാങ്കുകൾ ചെയ്യുന്നതു്. ഇതിന് ഇടവരുത്തുന്ന ഗവൎമ്മേണ്ടിന്റെ നയം ഒട്ടും ആശാസ്യം ആണെന്നു് തോന്നുന്നില്ല. ഒരു സ്റ്റേറ്റ് എയിഡഡ് ബാങ്ക് ഉണ്ടായിരുന്നാൽ ഈ വക ദോഷങ്ങൾക്കു് പരിഹാരം ഉണ്ടാകുന്നതും നാട്ടുകാരുടെ ധനസ്ഥിതി നന്നാകാൻ ഇടയുള്ളതും ആകുന്നു അതിനുംപുറമെ കൃഷി, കച്ചവടം, മുതലായവയുടെ അഭിവൃദ്ധിക്കും ഈ ബാങ്ക് ഉപയോഗപ്പെടും. നാട്ടുകാൎക്കു് പൊതുവെ ഋണകരവും രാജ്യത്തിന് ശ്രേയസ്കരവുമായുള്ള ഈ പ്രമേയത്തെ ഇവിടെ പാസ്സാക്കേണമെന്നു് മേല്പറഞ്ഞ കാരണങ്ങളാൽ ഞാനും അഭിപ്രായപ്പെടുന്നു.

Mr K. Krishna Pisharodi.—Sir, the subject of discussion is whether we are to have a State Bank or a State-aided Bank. What is, perhaps, wanted is a State-aided Bank or a Banker's Bank. It is an absolute necessity. There are so many banks here now, and they want help, for which a State-aided Bank, or a Banker's Bank is necessary. That is, I think, the

LIBRARY ARCHIVES Kerala Legislative Assembly

idea of the Travancore Government in opening a State-aided Bank. But what we immediately want is some redress to the industrial and agricultural classes. I do not think much help can be expected in the beginning from such a State-aided Bank, as a joint stock bank is less likely to be sympathetic to these people than a Co-operative Bank. We have already got a good Central Co-operative Bank. If that is strengthened, the present need will be satisfied. Even then, a State-aided Bank is necessary. But as some of the Members just stated, it is easy to offer theories, but to put it into practice, you must have practical men who have had sufficient practical training. It will take some time, and by the time that such men come up, perhaps, the Government may have enough money to spare. Then, we can start a State-aided Bank in the sense in which it is required. For the time being, of course, so far as the necessity of the industrial and agricultural people are concerned, I think, if the Central Co-operative Bank is strengthened, that will serve the purpose. Then, as regards lending money to the smaller banks referred to by some of the Members, if such bank offer the same terms as they offer to the other lending banks, I do not think there will be much objection for the Government to give any amount.

President.—What is the security you expect from these small banks ?

Mr. K Krishna Pisharodi.—The Imperial and Nedungadi Banks get some sort of deposit receipts as security from them. We must get some such security.

President.—The difficulty about security is that, even if we get security from the smaller banks, there will be no confidence for the Government. The Government will give money, and the same will be lost; if there are prior charges to the securities over ours, Government money will be lost, for it will be like second and third mortgages.

Mr. A. B. Salem.—May I know, Sir, whether we get security from them for our Government money? You go and give them money!

President.—The Finance Member's suggestion is that the Government must get some security.

Mr. A. B. Salem.—Then Government will be a lender. We want the Government to be a depositor. Can the depositor be in the same position as the lender? The lender must look into all the securities for his money, but the depositor will ask for no security, thinking that everything is very secure.

President.—In one sense a depositor is a lender.

LIBRARY ARCHIVES Kerala Legislative Assembly

Mr. K. Krishna Pisharodi.—The depositor gives money to the bank unasked, but to the lender the bank will have to apply.

The Government should always be over-cautious. Even long before the advent of this Council, the Government officers were subject to so much citicisms in paper without any chance of our giving an explanation. Fortunately, with the advent of this Council, they have a chance of at least explaining matters.

So, if the Imperial Bank, or any other bank were to take a certain amount as security, the Government must naturally take double the amount. But still the Government will be prepared to give money for that amount. If we are to give without any security, the Government money may be lost.

Mr. C. A. Ouseph.—These are all details. We are concerned only with the principle.

President.—Since reference has been made to small banks, he is trying to throw some light.

Mr. C. A. Ouseph.—Sir, on a point of information. From what the Comptroller of Accounts has said, I understand that the State-aided Bank is conceived as a Banker's Bank. That is not my idea of it.

President.—We have understood already the State Bank and the State-aided Bank. Now, we are to understand what Banker's Banks are.

Mr. K. Krishna Pisharodi.—That means the Bank that are not dealing with small transactions. The Bank of England is a Banker's Bank.

Mr. S. F. Nunez.—On a point of information. I want to know, if this State-aided Bank mentioned in the Comptroller's speech is to be entirely a Banker's Bank, or would, in exceptional circumstances, deal directly with individuals.

Mr. K. Krishna Pishaordi.—I say, both.

Mr. C. A. Ouseph.—My doubt is also cleared.

Mr. K. Krishna Pisharodi.—Then, about dealing with treasury transactions by the proposed bank, we have to maintain in the treasury all the sections except the shroff section which will bring very little saving.

Mr. T. A. Ramachandra Ayyar.—Is not our Comptroller a practical financier? We are wanting in practical financiers.

President.—These personal questions should not be put.

Srimati T. Madhavi Amma.—Sir, I shall accept the amendment on the understanding that the Government will have control over the bank.

LIBRARY ARCHIVES Kerala Legislative Assembly

President.—But according to the explanation now given, there is no difference between a State Bank and a State-aided Bank. According to Mr. T. K. Krishna Menon, both mean the same thing.

Mr. M. K. Raman.—Then, there is no necessity for both these expressions.

Mr. S. F. Nunez.—The amendment is superfluous.

President.—Only so far as it introduced the expression 'State-aided Bank.' There is another portion of the amendment 'of giving some financial aid, etc.'

I think Mr. Ramachandra Ayyar will agree with us that, since there is no difference between a State Bank and a State-aided Bank, the expression "State-aided Bank" which occurrs in his amendment may be struck off.

The Secretary makes another suggestion. Since there is practically no difference between a State Bank and a State-aided Bank, why not we employ in the main resolution the expression "State-aided Bank" itself so that the whole thing will be free from any ambiguity? Miss Madhavi Amma's object also is not defeated. It is only to understand it better. I suppose you agree.

There is a resolution and an amendment; I have to exercise my discretion as to which is to be put to the votes under Standing Order No. 21.

The terms of the resolution before the House run thus:—"That in view of the supreme necessity and importance of further improving the economic condition of the State and to finance the agricultural, industrial and trading concerns, this Council recommends to the Government to establish a State-aided Bank at its earliest opportunity."

The terms of the amendment are "or to give financial aid to the sound banks registered in Cochin and conducted by Cochinites, taking sufficient safeguards or guarantees for the proper use of public money entrusted to them."

I think it better to put the original resolution to the vote of the House first. Accordingly, I put the original resolution to the votes.

The resolution was carried.

President.—There is no place for the amendment now.

The next item is the resolution standing in the name of Mr. Chakko.

LIBRARY ARCHIVES Kerala Legislative Assembly